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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 002645

SIPDIS

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TAGS: ECON EFIN ETRD PTER NI
SUBJECT: NIGERIA: PRESIDENT'S CHIEF ECONOMIC ADVISOR EAGER TO WORK CLOSELY WITH USG ON ALL ECONOMIC ISSUES

REF: (A) STATE 169975 (B) STATE 170551

Classified by Ambassador Howard F. Jeter for Reasons 1.5 (b) and (d).

¶1. (U) Summary. Ambassador Jeter met the President's Chief Economic Advisor Magnus Kpakol October 11 to discuss a range of bilateral economic issues, including the structure of the successor to the Joint Economic Partnership Committee (JEPC) and possible actions for Nigeria to crack-down on the financial assets of terrorists. Kpakol committed to working with the U.S. on the New Africa Initiative, the proposed bilateral Economic Committee, and measures to stem terrorist money laundering. The Chief Economic Advisor predicted a positive outcome for the incoming IMF Mission. He also stressed the need to increase bilateral trade and investment in non-oil sectors. End Summary.

¶2. (U) On October 11, Ambassador Jeter called on the Chief Economic Advisor to the President, Magnus Kpakol. USAID Country Director Tom Hobgood, USAID EconOff and Embassy EconOff (notetaker) also attended.

Anti-terrorism and Money Laundering

¶3. (SBU) Explaining FATF's designation of Nigeria as a Non-Cooperative Country/Territory (NCCT), Ambassador Jeter emphasized the importance of strengthening domestic controls over money laundering and other financial crimes (per reftels). The Ambassador suggested that this issue would be a litmus test of Nigeria's commitment to combat terrorist activities on all fronts. Nigeria needed to amend existing regulations to increase banks' accountability to the GON, widen the scope of anti-money laundering legislation, and criminalize money laundering by terrorist groups and/or their supporters. Nigeria would also need to establish a central agency to coordinate the fight against financial crimes. Kpakol took on board the Ambassador's observations, stating that this issue has not only critical importance to the U.S., but also to Nigeria maintaining control over its economy.

New Africa Initiative

¶4. (U) Just returned with President Obasanjo from an overnight trip to Brussels, Kpakol was pleased with the European Union's interest, as expressed by the Belgian Prime Minister, in the Africa Initiative and the new African Union (AU). The five participating African Heads of State (Obasanjo, Mbeki, Wade, Chiluba and Bouteflika) were well received, as was their concept to integrate the Omega Plan and Millennium Action Plan into the Africa Initiative to be implemented under the aegis of the AU. Kpakol reported that the Belgium PM and EU Secretariat hoped to establish a permanent office at the AU and promised to raise the issue at the next G-8 meeting. Kpakol endorsed Ambassador Jeter's idea that the GON should brief G-8 Ambassadors in Nigeria on the proposed Africa Initiative. The Initiative, Kpakol extolled, was truly an African-driven program that would hold member-states accountable for democratic governance and conflict resolution. The Initiative also captured African nations' desire to connect national transportation and energy infrastructures. However, Kpakol commented, the Initiative lacked sufficient resources; the AU would look to the EU and G-8 for help, he said.

Increasing Bilateral Trade and Investment

¶5. (U) Kpakol hoped for progress in the U.S. - Nigeria

commercial relationship during his tenure as Chief Economic Advisor. Strongly seconding his wish, Ambassador Jeter said that, while in Washington, he discussed with the Corporate Council on Africa avenues U.S. companies should pursue when doing business in Nigeria. The Ambassador commented that skepticism within the U.S. business community remained a problem. Despite the success of U.S. oil and gas companies, most non-oil sector companies want concrete non-oil success stories before investing in Nigeria. Thus, they all are waiting to see who goes first.

¶6. (U) Kpakol attributed the lack of success to two reasons. First, the strength of the oil and gas industry had caused the country to neglect non-oil sectors. Second, the U.S. private sector needed to become more focussed and committed in their interactions with Nigerians. Ambassador Jeter concurred, recounting he had discussed this with U.S. companies. The Ambassador had explained to them that the Nigerian market was peculiar in that foreign companies cannot merely submit bids for public contracts, then wait at home for the award letter. American companies need to be visible on the ground, preferably with a Nigerian partner, to spend time discussing the project with officials at all levels of government. Developing a relationship with their Nigerian business partners, both public and private, will be critical to the success of U.S. companies in Nigeria. Kpakol commented that U.S. companies unfortunately perceive Africa as distant and somewhat peripheral to U.S. interests whereas European businesses have recognized the importance Africa can play in the global economy. (They also recognize handsome profits can be made when a company stays the course.)

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Restructuring the Joint Economic Partnership Committee
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¶7. (SBU) Ambassador Jeter explained that in discussions earlier this year, both sides had expressed dissatisfaction that JEPC had not produced concrete results. Consequently, a U.S. interagency committee met to recommend how a "son of JEPC" might be structured. The interagency committee had recommended creation of three committees -- Economic, Defense and Law Enforcement -- to be led by senior policymakers. The Economic Committee would address agriculture, energy, education, transportation, environment and other related issues. The Committee would decide what sub-committee level working groups to establish and provide them with concrete objectives. The working groups would formulate action plans with each side responsible for completing discreet steps towards the agreed objectives. This system, the Ambassador believed, would inject accountability and measurability into the bilateral economic relationship. The Ambassador also suggested that the working groups might include private sector and state-level participants, contingent on the wishes of the GON. Kpakol welcomed these recommendations, suggesting his office would spearhead the Economic Committee concept.

International Monetary Fund

¶8. (SB) Finally, the Ambassador asked about the IMF program. Optimistic that meetings with the incoming IMF team would be more productive than the last IMF visit, Kpakol said, "we have a good understanding now." He noted two areas of particular importance -- the exchange rate regime and government spending -- that the two sides needed to work closely. Expressing a common sentiment amongst GON officials, Kpakol opined that the IMF originally had arrived in Nigeria with unrealistic expectations. The IMF must recognize that political exigencies often limit economic decision-making. With elections looming over the horizon, the IMF cannot expect the program to progress as earlier envisioned. However, he said, the GON would be more capable of implementing tough programs after the 2003 elections.

¶9. (C) Biographic Information. Kpakol took over the office of Chief Economic Advisor in June 2001 after former CEA Chief Philip Asiodu was retired. Kpakol spent the last 25 years in Houston, Texas where he was a University professor. As such, Kpakol is familiar with U.S. perceptions of Africa and with U.S. idiosyncrasies; Post expects that he will be a helpful interlocutor on all bilateral economic issues. End Biographic Information.

Jeter